

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

AUDIT REPORT

June 30, 2014

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**COLLINS & BARR, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Directors  
Pearl River Valley Water Supply District  
Ridgeland, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7–12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information listed in the table of contents, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Collins & Barn, LTD.

December 4, 2014

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section presents management's discussion and analysis of the financial position and performance of the Pearl River Valley Water Supply District (the District) for the year ended June 30, 2014. Please read this narrative overview and analysis in conjunction with the District's basic financial statements which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial reporting, which is comprised of the basic financial statements and notes to basic financial statements.

The basic financial statements include government-wide financial statements and fund financial statements. The government-wide financial statements include a statement of net position and a statement of activities. Fund financial statements include governmental and proprietary fund financial statements. The primary differences between the government-wide and governmental fund financial statements relate to the accounting treatment of capital assets and long-term liabilities.

Financial Analysis

The District's net position at June 30, 2014 and 2013 was \$47,164,034 and \$46,541,925, respectively. Total net position increased \$622,109 between June 30, 2014 and 2013. Below is a summary of total net position at June 30, 2014 and 2013.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

NET POSITION

	2014	2013	\$ Variance
Assets:			
Cash	\$ 6,346,435	\$ 7,029,522	\$ (683,087)
Receivables	2,505,592	1,900,306	605,286
Capital assets	40,953,354	39,770,182	1,183,172
	<u>40,953,354</u>	<u>39,770,182</u>	<u>1,183,172</u>
Total assets	<u>\$ 49,805,381</u>	<u>\$ 48,700,010</u>	<u>\$ 1,105,371</u>
Liabilities			
Accounts payable, accrued liabilities, and customer deposits	\$ 1,628,934	\$ 1,130,723	\$ 498,211
Long-term liabilities	538,430	658,084	(119,654)
Unearned revenue	473,983	369,278	104,705
	<u>473,983</u>	<u>369,278</u>	<u>104,705</u>
Total liabilities	<u>2,641,347</u>	<u>2,158,085</u>	<u>483,262</u>
Net Position			
Net investment in capital assets	40,335,783	39,770,182	565,601
Unrestricted	6,828,251	6,771,743	56,508
	<u>6,828,251</u>	<u>6,771,743</u>	<u>56,508</u>
Total net position	<u>47,164,034</u>	<u>46,541,925</u>	<u>622,109</u>
Total liabilities and net position	<u>\$ 49,805,381</u>	<u>\$ 48,700,010</u>	<u>\$ 1,105,371</u>

The Ross Barnett Reservoir (the Reservoir) is a 33,000 acre impoundment on the Pearl River, just north of Jackson, Mississippi. Ownership and operation of the Reservoir, shoreline and surrounding property are vested in the District, which is an agency of the State of Mississippi. The District was created in 1958 by the Mississippi Legislature (the Legislature) to provide water supply and water-oriented recreational activities. The District has over 50,000 total acres, with the shoreline consisting of parks, timber and land leases. The District has over 5,300 water customers, provides water to the City of Jackson for treatment and has approximately 2.75 million visitors each year.

The District is responsible for the maintenance of the Reservoir dam, spillway, roads and streets and approximately 50 public recreation facilities, including 5 campgrounds and the Reservoir. The spillway, patrol and campgrounds are staffed 24 hours a day. The maintenance staff is on call to respond to emergencies and to ensure adequate personnel are available to provide for the safety and comfort of campers, water and sewer customers and visitors.



PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The District is authorized to spend funds for capital improvements such as parks, campgrounds, launching ramps, parking lots and access roads for the public benefit. Other capital improvement funds are used to develop parcels of land for residential and commercial lease to provide a source of revenue to the District.

The District charges no fees for the use of any of its public facilities, except for the campgrounds and group picnic pavilions. There are five counties which are members of the District – Hinds, Rankin, Madison, Scott and Leake. Each county is represented by two District board members, and one member each is appointed by four agencies of the State of Mississippi.

Net capital assets increased to \$40,953,354 at June 30, 2014, an increase of \$1,183,172 from June 30, 2013. During fiscal 2014, additions to capital assets totaled \$3,966,903, and \$2,776,725 was recorded as depreciation expense. Capital asset additions primarily related to property improvement projects, sewer improvement projects and various equipment additions.

Long-term liabilities decreased \$119,654, as a result of the compensated absences liability and the workers' compensation insurance liability decreasing during fiscal 2014. Unearned revenue of \$473,983 was recorded at June 30, 2014 for advance lease payments received by the District.

The District's operations include governmental and business-type activities. The District's business-type activities include the activities of water and sewer operations and the Reservoir's sanitation system. A summary of revenues and expenses for the years ended June 30, 2014 and 2013 follows.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGE IN NET POSITION

	2014	2013	\$ Variance
Revenues:			
Governmental activities:			
Lease rentals	\$ 5,475,091	\$ 5,683,088	\$ (207,997)
Campground fees	2,203,952	2,081,019	122,933
Timber sales	-	221,669	(221,669)
Transfer fees	85,430	77,530	7,900
Building permit fees	73,771	97,041	(23,270)
Grant revenues	109,817	657,984	(548,167)
Other	321,376	433,598	(112,222)
Total governmental activities	<u>8,269,437</u>	<u>9,251,929</u>	<u>(982,492)</u>
Business-type activities:			
Water sales	1,698,748	1,614,242	84,506
Sewer charges	1,494,636	1,379,984	114,652
Grant revenues	1,713,392	-	1,713,392
Other	204,300	187,693	16,607
Total business-type activities	<u>5,111,076</u>	<u>3,181,919</u>	<u>1,929,157</u>
General interest income	<u>2,866</u>	<u>4,825</u>	<u>(1,959)</u>
Total revenues	<u>13,383,379</u>	<u>12,438,673</u>	<u>944,706</u>
Expenses:			
Governmental activities:			
General and administrative	2,775,047	1,938,562	836,485
Maintenance of facilities	2,869,813	2,915,520	(45,707)
Campground operations	1,913,355	2,226,596	(313,241)
Spillway operation	537,341	622,509	(85,168)
Policing	700,228	663,342	36,886
Special projects	117,889	112,183	5,706
Shop and equipment	415,400	484,364	(68,964)
Miscellaneous	22,688	48,849	(26,161)
Total governmental activities	<u>9,351,761</u>	<u>9,011,925</u>	<u>339,836</u>
Business-type activities -			
Water and sewer operations and sanitation system	<u>3,409,509</u>	<u>3,270,226</u>	<u>139,283</u>
Total expenses	<u>12,761,270</u>	<u>12,282,151</u>	<u>479,119</u>
Change in net position	<u>\$ 622,109</u>	<u>\$ 156,522</u>	<u>\$ 465,587</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

As a state agency, the District is subject to the appropriations process for authorization for expenditures of its funds. The District currently receives no direct appropriations from the Legislature and does not receive any tax proceeds from the five counties which make up the District. However, from time to time, grant funds are received for special projects such as campgrounds, road projects and multi-purpose trails.

Two of the more significant sources of the District's revenues are derived from lease rentals and campground fees. The District leases over 6,300 parcels of land around the Reservoir. Total revenues for the years ended June 30, 2014 and 2013, totaled \$13,383,379 and \$12,438,673, respectively. Lease rental revenue of \$5,475,091 for fiscal 2014 decreased in comparison to fiscal 2013 lease rental revenue of \$5,683,088. Timber harvest sales during 2014 were decreased to \$0 in comparison to fiscal 2013 of \$221,669. The District received no development fees in fiscal years 2014 and 2013, as the District executed no new development leases in either year. The District received federal and state grant revenues of \$1,823,209 in 2014, an increase of \$1,165,225 from 2013.

Expenses related to governmental activities increased by approximately 4% over comparable fiscal 2013 expenses.

The District's governmental funds consist of the General Fund and Capital Projects Fund. During the year ended June 30, 2014, the net decrease in the fund balance of the General Fund was \$253,950, as compared to an increase in fiscal 2013 of \$203,254. The net decrease is primarily attributed to decreased grant revenues and a decrease in land lease revenues from fiscal 2013. During the year ended June 30, 2014, the net decrease in the fund balance of the Capital Projects Fund was \$31,160, which is less than the decrease of \$61,868 during fiscal 2013, due to less property improvement cost.

During the year ended June 30, 2014, budgeted revenues for the District's General Fund were \$12,088,000, compared to actual revenues of \$8,271,025, a difference between actual and budgeted revenues of \$3,816,975. During the year ended June 30, 2014, budgeted expenditures for the District's General Fund were \$11,954,000, compared to actual expenditures of \$8,524,975. The variances in both revenues and expenditures are primarily due to grant related activity that was anticipated but not completed during the year. In addition, the District budgets for campground fees, timber sales and development of property fees. The District did not receive the budgeted amount in any of these categories due to decreased campground usage, no timber cut and fewer new parcels developed.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The District operates four water and wastewater systems as reported in the Enterprise Fund. During the year ended June 30, 2014, operating revenues from these activities were \$3,397,684, an increase of \$215,765. In addition, during the year, the Enterprise Fund received capital grant proceeds of \$1,713,392 to finance the cost of sewer improvements.

Operating expenses of the water and sewer operations and sanitation system were \$3,409,509 in fiscal 2014, an increase of 4% over fiscal 2013.

Contacting the District's Financial Management

This financial report is designed to provide the District's Board of Directors, member local governments, customers, creditors and area citizens we serve with a general overview of the District's financial position at June 30, 2014, and to demonstrate the District's proper accountability for the monies, grants and contractual arrangements that it receives. If you have questions about this report or need additional information, please contact the General Manager or the Director of Finance at P. O. Box 2180, Ridgeland, MS 39158-2180. Also, please visit our website at [www.therez.ms](http://www.therez.ms).

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

BASIC FINANCIAL STATEMENTS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF NET POSITION  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 3,385,464	\$ 2,960,971	\$ 6,346,435
Receivables, net	1,310,621	1,194,971	2,505,592
Internal balances	1,107,381	(1,107,381)	-
Total current assets	<u>5,803,466</u>	<u>3,048,561</u>	<u>8,852,027</u>
Non-current assets:			
Capital assets:			
Land	7,688,569	-	7,688,569
Construction in progress	-	2,857,955	2,857,955
Machinery and equipment	5,360,704	1,816,904	7,177,608
Dams and other improvements	59,659,092	-	59,659,092
Water and sewer system	-	20,540,738	20,540,738
Less accumulated depreciation	(45,920,265)	(11,050,343)	(56,970,608)
Total non-current assets	<u>26,788,100</u>	<u>14,165,254</u>	<u>40,953,354</u>
Total assets	<u>32,591,566</u>	<u>17,213,815</u>	<u>49,805,381</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable, accrued liabilities, and customer deposits	536,865	1,092,069	1,628,934
Current portion of long-term liabilities	35,267	7,742	43,009
Total current liabilities	<u>572,132</u>	<u>1,099,811</u>	<u>1,671,943</u>
Non-current liabilities:			
Long-term liabilities	406,245	89,176	495,421
Unearned revenue	473,983	-	473,983
Total non-current liabilities	<u>880,228</u>	<u>89,176</u>	<u>969,404</u>
Total liabilities	<u>1,452,360</u>	<u>1,188,987</u>	<u>2,641,347</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	26,788,100	13,547,683	40,335,783
Unrestricted	4,351,106	2,477,145	6,828,251
Total net position	<u>\$ 31,139,206</u>	<u>\$ 16,024,828</u>	<u>\$ 47,164,034</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General and administrative	\$ 2,775,047	\$ -	\$ -	\$ (2,775,047)	\$ -	\$ (2,775,047)
Maintenance of facilities	2,869,813	5,955,668	18,707	3,104,562	-	3,104,562
Campground operations	1,913,355	2,203,952	-	290,597	-	290,597
Spillway operation	537,341	-	-	(537,341)	-	(537,341)
Policing	700,228	-	91,110	(609,118)	-	(609,118)
Special projects	117,889	-	-	(117,889)	-	(117,889)
Shop and equipment	415,400	-	-	(415,400)	-	(415,400)
Miscellaneous	22,688	-	-	(22,688)	-	(22,688)
Total governmental activities	<u>9,351,761</u>	<u>8,159,620</u>	<u>109,817</u>	<u>(1,082,324)</u>	<u>-</u>	<u>(1,082,324)</u>
Business-type activities:						
Water and sewer operations and sanitation system	<u>3,409,509</u>	<u>3,397,684</u>	<u>1,713,392</u>	<u>-</u>	<u>1,701,567</u>	<u>1,701,567</u>
Total primary government	<u>\$ 12,761,270</u>	<u>\$ 11,557,304</u>	<u>\$ 1,823,209</u>	<u>(1,082,324)</u>	<u>1,701,567</u>	<u>619,243</u>
General revenues:						
Interest income				<u>1,722</u>	<u>1,144</u>	<u>2,866</u>
Change in net position				(1,080,602)	1,702,711	622,109
Net position, beginning of year				<u>32,219,808</u>	<u>14,322,117</u>	<u>46,541,925</u>
Net position, end of year				<u>\$ 31,139,206</u>	<u>\$ 16,024,828</u>	<u>\$ 47,164,034</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 3,036,014	\$ 349,450	\$ 3,385,464
Receivables, net	1,310,621	-	1,310,621
Due from other funds	1,211,352	-	1,211,352
Total assets	<u>\$ 5,557,987</u>	<u>\$ 349,450</u>	<u>\$ 5,907,437</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 253,419	\$ -	\$ 253,419
Accrued liabilities	283,446	-	283,446
Due to other funds	-	103,971	103,971
Unearned revenue	473,983	-	473,983
Total liabilities	<u>1,010,848</u>	<u>103,971</u>	<u>1,114,819</u>
Fund balance:			
Committed to:			
Capital improvements	-	245,479	245,479
Dam and infrastructure improvements	500,000	-	500,000
Assigned to:			
Dam and infrastructure improvements	500,000	-	500,000
Capital improvements	1,550,000	-	1,550,000
Unassigned:	1,997,139	-	1,997,139
Total fund balance	<u>4,547,139</u>	<u>245,479</u>	<u>4,792,618</u>
Total liabilities and fund balance	<u>\$ 5,557,987</u>	<u>\$ 349,450</u>	<u>\$ 5,907,437</u>

The notes to the financial statements are an integral part of this statement.



PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
June 30, 2014

Total fund balance - governmental funds	\$ 4,792,618
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,788,100
Liabilities not due and payable in the current period are not reported in the funds:	
Accrued workers' compensation	(170,230)
Compensated absences	<u>(271,282)</u>
Net position of governmental activities	<u><u>\$ 31,139,206</u></u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	General	Capital Projects	Total Governmental Funds
REVENUES			
Interest on investments	\$ 1,588	\$ 134	\$ 1,722
Lease rentals	5,475,091	-	5,475,091
Assignment fees	85,430	-	85,430
Building permit fees	73,771	-	73,771
Campground fees	2,203,952	-	2,203,952
Grant revenues	109,817	-	109,817
Miscellaneous	321,376	-	321,376
Total revenues	<u>8,271,025</u>	<u>134</u>	<u>8,271,159</u>
EXPENDITURES			
General and administrative	2,889,469	8,606	2,898,075
Maintenance of facilities	1,335,986	-	1,335,986
Campground operations	2,002,599	-	2,002,599
Spillway operation	193,252	-	193,252
Policing	785,176	-	785,176
Property improvement costs	661,526	22,688	684,214
Special projects	189,858	-	189,858
Shop and equipment	467,109	-	467,109
Total expenditures	<u>8,524,975</u>	<u>31,294</u>	<u>8,556,269</u>
Net change in fund balances	<u>(253,950)</u>	<u>(31,160)</u>	<u>(285,110)</u>
Fund balances, beginning of year	<u>4,801,089</u>	<u>276,639</u>	<u>5,077,728</u>
Fund balances, end of year	<u><u>\$ 4,547,139</u></u>	<u><u>\$ 245,479</u></u>	<u><u>\$ 4,792,618</u></u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$	(285,110)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation (\$2,111,153) and current year disposals (\$7,006) exceeded capital outlays (\$1,224,550) in the current period.		(893,609)
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Workers' compensation liabilities payable to the Department of Finance, State of Mississippi are measured by the amounts incurred during the year in the statement of activities. However, in the governmental funds, expenses are recorded when payments are due.		33,216
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Compensated absences are measured by the amounts earned during the year in the statement of activities. However, in the governmental funds, expenditures are measured by the amount of financial resources used.		64,901
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Change in net position of governmental activities	\$	(1,080,602)
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The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND  
Year Ended June 30, 2014

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest on investments	\$ 8,000	\$ 1,588	\$ (6,412)
Lease rentals	5,700,000	5,475,091	(224,909)
Assignment fees	95,000	85,430	(9,570)
Building permit fees	85,000	73,771	(11,229)
Campground fees	2,400,000	2,203,952	(196,048)
Grant revenues	3,500,000	109,817	(3,390,183)
Miscellaneous	300,000	321,376	21,376
Total revenues	12,088,000	8,271,025	(3,816,975)
EXPENDITURES			
Salaries, wages and fringe benefits	4,130,000	4,156,235	(26,235)
Travel	24,000	14,252	9,748
Contractual services	3,000,000	2,488,920	511,080
Commodities	1,300,000	901,449	398,551
Equipment and special projects	1,700,000	1,224,550	475,450
Loans, subsidies and grants	1,500,000	25,000	1,475,000
Expenditure transfers from proprietary fund	300,000	(285,431)	585,431
Total expenditures	11,954,000	8,524,975	3,429,025
Net change in fund balances	\$ 134,000	\$ (253,950)	\$ (387,950)

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

ASSETS	
Current assets:	
Cash	\$ 2,960,971
Receivables, net	415,333
Grant receivables	<u>779,638</u>
Total current assets	<u>4,155,942</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	2,857,955
Machinery and equipment	1,816,904
Water and sewer system	20,540,738
Less accumulated depreciation	<u>(11,050,343)</u>
Total noncurrent assets	<u>14,165,254</u>
Total assets	<u>18,321,196</u>
LIABILITIES	
Current liabilities:	
Accounts payable	695,814
Accrued liabilities	73,731
Customer deposits	330,266
Due to other funds	<u>1,107,381</u>
Total current liabilities	<u>2,207,192</u>
Noncurrent liabilities -	
Noncurrent accrued liabilities	<u>89,176</u>
Total liabilities	<u>2,296,368</u>
NET POSITION	
Invested in capital assets, net of related debt	13,547,683
Unrestricted	<u>2,477,145</u>
Total net position	<u>\$ 16,024,828</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

OPERATING REVENUES	
Water sales	\$ 1,698,748
Tapping fees	10,800
Sewer charges	1,494,636
Pipeline maintenance fees	131,050
Miscellaneous	<u>62,450</u>
Total operating revenues	<u>3,397,684</u>
OPERATING EXPENSES	
Salaries, wages and fringe benefits	736,809
Sewer disposal usage	559,814
Utilities	280,462
Repairs and maintenance	550,576
Depreciation	665,572
Supplies and materials	151,622
Professional fees and services	203,789
Other	<u>260,865</u>
Total operating expenses	<u>3,409,509</u>
Operating income (loss)	<u>(11,825)</u>
NONOPERATING REVENUES	
Interest income	1,144
Capital grants	<u>1,713,392</u>
Total nonoperating revenues	<u>1,714,536</u>
Change in net position	1,702,711
Net position, beginning of year	<u>14,322,117</u>
Net position, end of year	<u>\$ 16,024,828</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 3,297,013
Payments to suppliers for goods and services	(2,019,460)
Payments to employees for services	<u>(729,046)</u>

Net cash provided by operating activities	<u>548,507</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Advances from other funds, net	<u>451,149</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(2,124,782)
Capital grants	<u>956,022</u>

Net cash used by capital and related financing activities	<u>(1,168,760)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest revenue	<u>1,144</u>
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Net decrease in cash	(167,960)
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Balances, beginning of year	<u>3,128,931</u>
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Balances, end of year	<u><u>\$ 2,960,971</u></u>
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Reconciliation of operating loss to net cash provided  
by operating activities:

Operating loss	\$ (11,825)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	665,572
Change in assets and liabilities:	
Customer and other receivables	(100,671)
Accounts payable and accrued liabilities	<u>(4,569)</u>

Net cash provided by operating activities	<u><u>\$ 548,507</u></u>
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The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

NOTES TO FINANCIAL STATEMENTS



PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 1: Summary of Significant Accounting Policies

Organization

Pearl River Valley Water Supply District (the District) is a special purpose state agency which owns and operates the Ross Barnett Reservoir. The District was created by an act of the Mississippi Legislature in 1958.

Government-wide Financial Statements

Government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e., the statement of net position and the statement of activities) do not provide information by fund or account group, but distinguish between the District's governmental activities and business-type activities. Specifically, the statement of net position includes noncurrent assets which were previously recorded in the General Fixed Asset Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the District's fixed assets. Also, the effect of significant interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

In addition to the government-wide financial statements, the District has presented separate financial statements for its governmental funds and proprietary funds. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus, and proprietary fund financial statements use the accrual basis of accounting and the economic resources measurement focus. Major individual governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements. The General Fund, Capital Projects Fund and Enterprise Fund are considered major funds.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

The following major governmental and proprietary funds are used by the District:

- Governmental Funds – Governmental Funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in the Proprietary Fund). The following are the District's governmental fund types:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Its revenues are primarily derived from lease rentals and campground fees. Its expenditures primarily relate to the operation and maintenance of the District.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The following capital projects accounts are maintained by the District:

Property Improvement Account – The Property Improvement Account is used to account for the cost of developing and leasing commercial areas and residential lots.

District Bond Campground and Park Improvement Account – The District Bond Campground and Park Improvement Account is used to account for the cost of capital improvements at campgrounds and parks maintained by the District. In accordance with Senate Bill No. 2988, the District is authorized to borrow money and issue bonds in amounts not to exceed \$10,000,000 to finance the projects. There was no activity in this account during the year ended June 30, 2014.

- Proprietary Funds – Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determining net income and capital maintenance. The Enterprise Fund is used to account for the activities of the water and sewer operations and is financed through user charges.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Fund Balance – Governmental Funds

The fund balances for the District's governmental funds are displayed in five components.

- Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.
- Committed – Amounts that can be used only for the specific purposes determined by resolution of the board of directors. Commitments may be changed or lifted only by issuance of a resolution by the board of directors.
- Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position – Government-wide Financial Statements

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Restricted net position is the noncapital position that must be used for a particular purpose, as specified by creditors or grantors external to the District. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted net position.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under usual accrual accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's Enterprise Fund is derived from the activities of the water and sewer operations and is financed through user charges and contractual maintenance agreements. Operating expenses for the Enterprise Fund include expenses of administering the water and sewer systems. Other sources of revenues and expenses are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues, expenditures/expenses and other changes in net position and fund balances during the reporting period. Actual results could differ from those estimates.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2014, the District held no cash equivalents.

Accounts Receivable

Accounts receivable consist of water and sewer charges to residents and rentals due from the lease of property. Accounts receivable are recorded net of estimated uncollectible amounts. No allowance is recorded at June 30, 2014.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 to 10 years
Dams and other improvements	20 to 50 years
Water distribution system	20 to 50 years

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

Maintenance of facilities	\$ 1,594,794
Spillway operation	348,485
Campground operations	<u>167,874</u>

Total depreciation expense – governmental activities	<u><u>\$ 2,111,153</u></u>
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Business-type activities:

Water and sewer operations	<u><u>\$ 665,572</u></u>
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PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Compensated Absences

Section 25-3-97, Mississippi Code Ann. (1972), authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless the employee presents medical evidence that his or her physical condition is such that he or she can no longer work in a capacity of state government. At June 30, 2014, accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as accrued vacation on the statement of net position.

The District's policies permit most employees to accumulate vacation and compensatory time benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for compensatory time benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensatory time benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Interfund Activity

All outstanding balances between funds are reported as due to/from other funds in the fund financial statements. Any balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Income Taxes

As a state agency, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Budget

The District prepares annual budgets for the General Fund and Enterprise Fund. The District uses the following procedures in establishing the budgetary data submitted for state approval:

- Approximately one year before the State's next fiscal year begins, the District prepares a proposed operating budget for that year. The operating budget includes proposed expenditures and the means of financing them.
- At the beginning of August, the proposed budget for the fiscal year commencing the following July is submitted to the Mississippi Department of Finance and Administration and the Legislative Budget Office. Budget hearings are conducted which may result in recommendations for changes.
- In January, the proposed budget and the recommendations proposed by the Joint Legislative Budget Committee are presented to the Legislature. The Legislature makes any revisions it deems necessary or appropriate and then legally enacts the District's budget in the form of an appropriation bill. The enacted budget is on an overall district basis. However, the budget presented in these financial statements is for the General Fund only.
- The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis subject to approval by the Mississippi Department of Finance and Administration. The final budget, which is the same as the original budget, is used for budget comparison purposes.
- Budgets for the District are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Risks and Uncertainties

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

The State manages tort claims through the retention of all liability exposure administered by the Tort Claims Board. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. The District purchases commercial insurance for certain areas not covered by the State specific to the District's operations. In the last three years, settled claims have not exceeded commercial coverage. Claims payments are financed through an annual assessment to all state agencies based on amount of payroll and past loss history. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, as well as the experience of similar programs in other states.

The District finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust (MPEWCT), a public entity risk pool. The District pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective January 1, 2014 to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Recently-Issued Accounting Standards

In June 2012, the Governmental Accounting Standards Board issued Statement 68 that establishes accounting and financial reporting standards that require government employers that are members of cost-sharing defined benefit pension plans to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. This statement also requires more extensive note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement is effective for fiscal years beginning after June 15, 2014 and should be implemented retroactively as an adjustment of all prior periods presented.



PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 2: Deposits and Investments

Custodial credit risk is the risk that in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2014, the carrying amount of the District's deposits with financial institutions was \$6,346,435 and the bank balance was \$6,280,005. None of the District's bank balance was exposed to custodial credit risk.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the District's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

The District is authorized to invest in bonds or other negotiable obligations of, or guaranteed by, the United States of America.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 3: Capital Assets

Capital assets and related activity for the year ended June 30, 2014, consist of the items shown below.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 7,688,569	\$ -	\$ -	\$ 7,688,569
Capital assets being depreciated				
Furniture and equipment	5,180,877	325,014	(145,187)	5,360,704
Dams and other improvements	58,759,556	899,536	-	59,659,092
Total capital assets being depreciated	63,940,433	1,224,550	(145,187)	65,019,796
Less accumulated depreciation for				
Furniture and equipment	4,071,564	296,664	(138,181)	4,230,047
Dams and other improvements	39,875,729	1,814,489	-	41,690,218
Total accumulated depreciation	43,947,293	2,111,153	(138,181)	45,920,265
Total capital assets being depreciated, net	19,993,140	(886,603)	(7,006)	19,099,531
Total governmental activities capital assets, net	<u>\$27,681,709</u>	<u>\$ (886,603)</u>	<u>\$ (7,006)</u>	<u>\$26,788,100</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 582,425	\$ 2,275,530	\$ -	\$ 2,857,955
Capital assets being depreciated				
Furniture and equipment	1,701,025	115,879	-	1,816,904
Water and sewer system	20,189,794	350,944	-	20,540,738
Total capital assets being depreciated	21,890,819	466,823	-	22,357,642
Less accumulated depreciation for				
Furniture and equipment	1,056,889	140,776	-	1,197,665
Water and sewer system	9,327,882	524,796	-	9,852,678
Total accumulated depreciation	10,384,771	665,572	-	11,050,343
Total capital assets being depreciated, net	11,506,048	(198,749)	-	11,307,299
Total business-type activities capital assets, net	<u>\$12,088,473</u>	<u>\$ 2,076,781</u>	<u>\$ -</u>	<u>\$14,165,254</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 4: Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2014, follow:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	\$ 1,211,352	\$ -
Capital Project Funds	-	103,971
Proprietary Fund		
Enterprise Fund	-	1,107,381
	<u>\$ 1,211,352</u>	<u>\$ 1,211,352</u>

At June 30, 2014, the majority of interfund borrowing was due to the general and administrative allocation between the General and Enterprise Funds. Management expects all interfund borrowing to be repaid within the next fiscal year.

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2014.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Accrued compensated absences	\$ 336,183	\$ -	\$ (64,901)	\$ 271,282	\$ 35,267
Accrued workers' compensation liability	203,446	-	(33,216)	170,230	-
	<u>539,629</u>	<u>-</u>	<u>(98,117)</u>	<u>441,512</u>	<u>35,267</u>
Business-type activities					
Accrued compensated absences	73,796	-	(14,246)	59,550	7,742
Accrued workers' compensation liability	44,659	-	(7,291)	37,368	-
	<u>118,455</u>	<u>-</u>	<u>(21,537)</u>	<u>96,918</u>	<u>7,742</u>
	<u>\$ 658,084</u>	<u>\$ -</u>	<u>\$ (119,654)</u>	<u>\$ 538,430</u>	<u>\$ 43,009</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 6: Operating Leases

The District is a party to a member payment agreement with the Madison County Wastewater Authority, whereas the District provides a 20% share of costs, including debt service associated with operating certain facilities for the collection, transportation and treatment of wastewater. As the District retains no ownership rights to the facilities, the debt service portion of the cost is considered to be operating leases. These leases expire between 2024 and 2032. Rental payments include minimum rentals, plus related interest.

Future minimum lease payments at June 30, 2014, were:

2015	\$ 132,880
2016	132,880
2017	132,880
2018	132,880
2019	132,880
2020 - 2024	647,482
2025 - 2032	405,546
	<u>\$ 1,717,428</u>

Note 7: Land Leases

Prior to completion of the District's Ross Barnett Reservoir project in 1965, the District acquired, by negotiation or through eminent domain proceedings, substantially all the land along the shoreline of the Ross Barnett Reservoir. The District from time to time leases improved land to developers and individuals for commercial and residential development purposes. Before leases are executed, developers and/or lessees reimburse the District for the direct and indirect costs of streets, water, sewer and other improvements and planning, development and marketing expenses incurred by the District. The leases generally have initial primary terms of 60 years, with options to renew for additional 60-year terms. Lease rentals are based on the estimated fair value of the property for the purpose and use specified in the lease, determined under circumstances and market conditions existing at the date of the lease. Some of the lease agreements contain rental escalators as predetermined in the lease agreements. The leases are classified as operating leases, and rental income is recorded in the General Fund as billed. At June 30, 2014, the District was a party to approximately 6,300 leases which yield aggregate annual rental income of approximately \$5,500,000. Remaining primary terms under these leases range from 0 to 60 years.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 8: Defined Benefit Pension Plan

Plan Description

The District contributes to the Public Employees' Retirement System of Mississippi (PERS) a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS.

Funding Policy

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary. The District is required to contribute at an actuarially determined rate; the rate was 15.75% of annual covered payroll for 2014. The District's contributions to the plan for the years ended June 30, 2014, 2013 and 2012 were approximately \$504,000, \$435,000 and \$379,000, respectively, which equaled the required contributions for each year.

Note 9: Deferred Compensation Plan

The State of Mississippi offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected or under contract, providing services for the State of Mississippi, state agencies, counties, municipalities or other political subdivisions for which compensation is paid. The plan permits employees of the District to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan; all property and rights purchased with those amounts; and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in a separate trust account for the benefit of participants and their beneficiaries, and, accordingly, no liability is recorded by the District for amounts due under the plan.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 10: Contingencies

Federal Grants

The District has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the District. No provision for any liability that may result has been recognized in the District's financial statements.

Litigation

The District is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net position and cash flows of the District. Events could occur that would change this estimate materially in the near term.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

SUPPLEMENTAL INFORMATION

Pearl River Valley Water Supply District  
A Component Unit of the State of Mississippi  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

<u>Federal Agency/ Pass-through Entity/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Defense/Corps of Engineers</u>			
Direct Program:			
Mississippi Environmental Infrastructure (Section 592)	12.124	N/A	<u>\$ 1,713,392</u>
<u>U.S. Department of Transportation</u>			
Passed-through the Mississippi Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction Program	20.205	STP-0045-00(020)	6,613
Highway Planning and Construction Program	20.205	STP-6945-00(005)	<u>2,378</u>
			8,991
Passed-through the Office of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	14-OP-422-1	10,615
Alcohol Open Container Requirements	20.607	14-TA-422-1	<u>33,252</u>
Total U.S. Department of Transportation			<u>52,858</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through the Mississippi Department of Homeland Security			
Homeland Security Grant Program	97.067	10LE292	<u>19,207</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	661
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>12,401</u>
Total U.S. Department of Justice			<u>13,062</u>
Total for All Federal Awards			<u>\$ 1,798,519</u>

Note 1: Basis of Presentation

The above schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position or cash flows of the District.



PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**COLLINS & BARR, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Pearl River Valley Water Supply District  
Ridgeland, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Collins & Barn, LTD.

December 4, 2014



**COLLINS & BARR, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133

Board of Directors  
Pearl River Valley Water Supply District  
Ridgeland, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Pearl River Valley Water Supply District (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Collins & Son, LTD.*

December 4, 2014

PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Section I – Summary of Auditor's Results

*Financial Statements:*

- |                                                         |               |
|---------------------------------------------------------|---------------|
| 1. Type of auditor's report issued                      | Unmodified    |
| 2. Internal control over financial reporting:           |               |
| a. Material weaknesses identified                       | No            |
| b. Significant deficiencies identified                  | None Reported |
| 3. Noncompliance material to financial statements noted | No            |

*Federal Awards:*

- |                                                                                                                          |                 |
|--------------------------------------------------------------------------------------------------------------------------|-----------------|
| 4. Type of auditor's report issued on compliance for major programs                                                      | Unmodified      |
| 5. Internal control over major programs:                                                                                 |                 |
| a. Material weaknesses identified                                                                                        | No              |
| b. Significant deficiencies identified                                                                                   | None Reported   |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 | No              |
| 7. Federal program identified as a major program:                                                                        |                 |
| Mississippi Environmental Infrastructure (Section 592)                                                                   | CFDA No. 12.124 |
| 8. Dollar threshold to distinguish between type A and type B programs:                                                   | \$300,000       |
| 9. Auditee qualified as low-risk auditee                                                                                 | No              |

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Section II – Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.



PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
A Component Unit of the State of Mississippi

OTHER ITEMS

**PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
115 MADISON LANDING CIRCLE  
RIDGELAND, MISSISSIPPI 39157**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_.315(b) of OMB Circular A-133, Pearl River Valley Water Supply District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014:

There are no current year findings.

**PEARL RIVER VALLEY WATER SUPPLY DISTRICT  
115 MADISON LANDING CIRCLE  
RIDGELAND, MISSISSIPPI 39157**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

As required by Section \_\_.315(b) of OMB Circular A-133, Pearl River Valley Water Supply District has prepared and hereby submits the following summary schedule of prior audit findings for the year ended June 30, 2014:

<u>Finding</u>	<u>Status</u>
2013 – 1	Corrected
2013 – 2	Corrected
2013 – 3	Corrected